

OFFICE OF THE INDIGENT DEFENDER
FIRST JUDICIAL DISTRICT, CADDO PARISH
DECEMBER 31, 2002

OFFICE OF THE INDIGENT DEFENDER
FIRST JUDICIAL DISTRICT, CADDO PARISH
SHREVEPORT, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

June 6, 2003

The Board of Directors
Office of the Indigent Defender
First Judicial District, Caddo Parish
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of the First Judicial District, Caddo Parish, Office of the Indigent Defender as of December 31, 2002, and for the year then ended. These general purpose financial statements are the responsibility of the Office of the Indigent Defender's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the First Judicial District, Caddo Parish, Office of the Indigent Defender as of December 31, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 6, 2003, on our consideration of the First Judicial District, Caddo Parish, Office of the Indigent Defender's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Heard, McElroy & Vestal, LLP

OFFICE OF THE INDIGENT DEFENDER
FIRST JUDICIAL DISTRICT, CADDO PARISH
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2002

<u>A S S E T S</u>	Governmental <u>Fund Type</u> <u>General</u>	Account <u>Group</u> General Fixed <u>Assets</u>	Total (Memorandum <u>Only</u>)
Cash and cash equivalents (Note 2)	2,588	-	2,588
Investments (Note 2)	169,942	-	169,942
Accounts receivable (Note 3)	63,810	-	63,810
Prepaid insurance	7,105	-	7,105
Fixed assets (Note 4)	<u>-</u>	<u>201,765</u>	<u>201,765</u>
Total assets	<u>243,445</u>	<u>201,765</u>	<u>445,210</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>Liabilities:</u>			
Accounts payable	<u>11,785</u>	<u>-</u>	<u>11,785</u>
Total liabilities	11,785	-	11,785
<u>Fund balance:</u>			
Investment in general fixed assets	-	201,765	201,765
Fund balance-unreserved	<u>231,660</u>	<u>-</u>	<u>231,660</u>
Total fund balance	<u>231,660</u>	<u>201,765</u>	<u>433,425</u>
Total liabilities and fund balance	<u>243,445</u>	<u>201,765</u>	<u>445,210</u>

The accompanying notes are an integral part of this statement.

OFFICE OF THE INDIGENT DEFENDERFIRST JUDICIAL DISTRICT, CADDO PARISHCOMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEGOVERNMENTAL FUND TYPE-GENERAL FUND (JUDICIAL EXPENSE)FOR THE YEAR ENDED DECEMBER 31, 2002Revenues:

Court costs on fines	832,371
Forfeitures, fees and miscellaneous receipts (Note 8)	333,831
Louisiana Indigent Defender Board (Note 8)	490,149
Interest	10,890
Unrealized gain on investments	<u>1,826</u>
Total revenues	1,669,067

Expenditures:

General government-judicial:	
Salaries	1,178,658
Retirement (Notes 5 and 6)	72,979
Group insurance	108,277
Dues and subscriptions	14,453
Supplies	13,997
Travel	8,753
Telephone	6,501
Professional services	168,251
Rent (Note 7)	55,368
Insurance	17,022
Accounting fees	19,968
Capital expenditures (Note 4)	4,838
Miscellaneous	<u>11,603</u>
Total expenditures	<u>1,680,668</u>

<u>Excess of expenditures over revenues</u>	(11,601)
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<u>Fund balance at beginning of year</u>	<u>243,261</u>
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<u>Fund balance at end of year</u>	<u><u>231,660</u></u>
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The accompanying notes are an integral part of this statement.

OFFICE OF THE INDIGENT DEFENDERFIRST JUDICIAL DISTRICT, CADDO PARISHCOMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEGOVERNMENTAL FUND TYPE-GENERAL FUND (JUDICIAL EXPENSE)BUDGET (GAAP BASIS) AND ACTUALFOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Court costs on fines	807,000	832,371	25,371
Forfeitures, fees and miscellaneous receipts	312,000	333,831	21,831
Louisiana Indigent Defender Board	490,149	490,149	-
Interest	8,000	10,890	2,890
Unrealized gain on investments	-	1,826	1,826
Total revenues	1,617,149	1,669,067	51,918
<u>Expenditures:</u>			
General government-judicial:			
Salaries	1,189,752	1,178,658	11,094
Retirement	73,945	72,979	966
Group insurance	91,000	108,277	(17,277)
Dues and subscriptions	14,100	14,453	(353)
Supplies	18,500	13,997	4,503
Travel	20,000	8,753	11,247
Telephone	7,000	6,501	499
Professional services	205,000	168,251	36,749
Rent	55,400	55,368	32
Insurance	18,000	17,022	978
Accounting fees	19,000	19,968	(968)
Capital expenditures	5,700	4,838	862
Miscellaneous	14,000	11,603	2,397
Total expenditures	1,731,397	1,680,668	50,729
<u>Excess of expenditures over revenues</u>	(114,248)	(11,601)	102,647
<u>Fund balance at beginning of year</u>	243,261	243,261	-
<u>Fund balance at end of year</u>	129,013	231,660	102,647

The accompanying notes are an integral part of this statement.

OFFICE OF THE INDIGENT DEFENDER
FIRST JUDICIAL DISTRICT, CADDO PARISH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

1. Summary of Significant Accounting Policies

The Office of the Indigent Defender was established in compliance with Louisiana Revised Statutes 15:144-149 to provide and compensate counsel appointed to represent indigents in criminal and quasi-criminal cases on the district court level. The judicial district encompasses the Parish of Caddo, Louisiana.

The accounting and reporting policies of the Office of the Indigent Defender conform to the accounting principles generally accepted in the United States of America as applicable to governments.

Financial Reporting Entity

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Caddo Parish Commission for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Commission to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Commission.
2. Organizations for which the Commission does not appoint a voting majority but are fiscally dependent on the Commission.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

The Office of the Indigent Defender is not considered a component unit of the Caddo Parish Commission for financial reporting purposes because the Board of Directors of the Indigent Defender is appointed by the Judges of the First Judicial District. The appointed Board of Directors has the decision making authority, the power to designate management, the ability to significantly influence operations, and primary financial accountability for fiscal matters of the Office of the Indigent Defender.

For financial reporting purposes, the Office of the Indigent Defender is a part of the district court system of the State of Louisiana. However, the Office of the Indigent Defender operates autonomously from the State of Louisiana and independently from the district court system. Therefore, the Office of the Indigent Defender reports as an independent reporting entity.

Fund Accounting

The accounts of the Office of the Indigent Defender are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual

1. Summary of Significant Accounting Policies (Continued)

funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Office of the Indigent Defender is grouped, in the financial statements in this report, into a governmental fund and an account group as follows:

Governmental Fund - General Fund

The General Fund is the general operating fund of the Office of the Indigent Defender. It is used to account for all financial resources except those required to be accounted for in another fund.

General Fixed Assets Account Group

The accounting and reporting treatment applied to fixed assets associated with a fund is determined by its measurement focus. Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund type when purchased. The Office of the Indigent Defender has elected to capitalize public domain ("infrastructure") fixed assets consisting primarily of office equipment. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost. The General Fixed Asset Account Group is not a fund. It is only concerned with the measurement of financial position. It is not involved with measurement of results of operations.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The records are maintained on a cash basis of accounting. However, the General Fund, as reported in the accompanying financial statements, has been converted to a modified accrual basis of accounting utilizing the following practices:

Revenues:

Court costs related to fines and forfeitures imposed by the district and city courts are recorded when they are earned and become available. Substantially all other revenues are recorded when received.

Expenditures:

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Budgetary Accounting

Annually the Office of the Indigent Defender adopts a budget for the General Fund on the modified accrual basis of accounting considering available beginning of year resources to cover any budgeted deficit from annual operations. All appropriations lapse at year end.

Vacation and Sick Leave

Employees accrue from 5 to 15 days of noncumulative vacation leave each year, depending upon length of service. Employees who resign voluntarily and give two weeks notice are compensated for their vacation leave, prorated to the date of separation during the year. Employees accrue from 5 to 20 days of sick leave each year, depending upon length of service. Sick leave cannot be accumulated, and employees are not compensated for unused sick leave.

1. Summary of Significant Accounting Policies (Continued)

Cash and Investments

Cash and investments include funds that are maintained in pooled cash and investment accounts by the Caddo Parish Commission. Under state law, the Office of the Indigent Defender may deposit funds in demand deposit accounts, interest bearing demand deposit accounts, money market accounts, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana. State statutes also authorize the Office of the Indigent Defender to invest in United States bonds, treasury notes, and treasury bills. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investments in the Office of the Indigent Defender are stated at fair market value.

Total Column on Balance Sheet

The total column on the combined balance sheet is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Such data in this column is not comparable to a consolidation.

Managements' Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

2. Cash and Investments

At December 31, 2002, the Office of the Indigent Defender had cash of \$2,588 in the Caddo Parish Commission pooled cash account. All deposits of the Caddo Parish Commission are held by area financial institutions. Under state law, cash deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount of the deposit with the fiscal agent. At December 31, 2002, the Caddo Parish Commission's deposits with banks were fully secured by federal deposit insurance and securities held by the pledging financial institution.

At December 31, 2002, the Office of the Indigent Defender had investments with a carrying amount and fair value of \$169,942 in the Caddo Parish Commission pooled investment account. Such statutes authorize the Caddo Parish Commission to invest in direct obligations of the United States Treasury, United States government agency obligations, Louisiana Asset Management Pool (LAMP), or certificates and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana. At December 31, 2002, the Caddo Parish Commission's investments, with the exception of the LAMP, were considered to be Category 1. Category 1 includes investments that are insured or registered or for which the securities are held by the Caddo Parish Commission or its safekeeping agent in the Caddo Parish Commission's name. Investments in LAMP are not categorized because they are not evidenced by securities that exist in physical or book entry form. LAMP, a local government investment pool, is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2-a-7, which governs registered money market funds. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

Information on the aggregate deposits of the Caddo Parish Commission and how they are secured is available in the financial statements of the Caddo Parish Commission.

3. Receivables

The following is a summary of receivables at December 31, 2002:

Court costs on fines and forfeitures	<u>63,810</u>
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4. Changes in General Fixed Assets

General fixed assets consist of office furniture and equipment. A summary of changes in general fixed assets follows:

Balance, December 31, 2001	261,151
Additions	4,838
Deletions	<u>(64,224)</u>
Balance, December 31, 2002	<u>201,765</u>

5. Pension Plan

One employee of the Office of the Indigent Defender is a member of the Parochial Employees Retirement System of Louisiana (System), a multiple-employer (cost-sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. The employee participating in PERS is a member of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 per cent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only prior to January 1, 1980, the benefit is equal to one per cent of final average salary plus \$24 for each year of supplemental-plan-only service earned prior to January 1, 1980. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (504) 928-1361.

Funding Policy. Under Plan A, members are required by state statute to contribute 9.5 percent of their annual covered salary and the board is required to contribute at an actuarially determined rate. The current rate is 7.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the board are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the fiscal year. The board's contributions to the System under Plan A for the year ended December 31, 2002 was \$3,911. The total current-year covered payroll under the Plan is \$50,470.

6. Deferred Compensation

Under the guidelines established in accordance with the Internal Revenue Code Section 457, the Office of the Indigent Defender participates in a deferred compensation plan which is administered by Public Employees Benefit Services Corporation on behalf of all participating employees. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred pay and any income earned on it is not subject to income taxes until actually received by the employee. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

It is the opinion of the Office of the Indigent Defender's legal counsel that the Office of the Indigent Defender is not liable for losses arising from depreciation or shrinkage in the value of any investments acquired under the deferred compensation plans. However, the Office of the Indigent Defender believes it has the duty of due care that would be required of an ordinary prudent investor. The Office of the Indigent Defender also believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The assets in the plans remain the property of the Office of the Indigent Defender until paid or made available to participants, subject only to the claims of the Office of the Indigent Defender's general creditors. The participants have no vested interest or secured or preferred position with respect to the assets or have any claim against the Office of the Indigent Defender, except as a general creditor, in an amount equal to the fair market value of the participant's account. These funds are reported as an agency fund on the Caddo Parish Commission's financial statement as they hold the funds.

As of July 1, 1999, the Office of the Indigent Defender established a Caddo Parish Public Defenders Office Money Purchase Retirement Plan and Trust under the proper sections of the Internal Revenue Code of 1986. Employees must have been employed by the Indigent Defender's Office for a period of one (1) month to be eligible to participate in the plan. Vesting provisions allow a participant to be fully vested in the employer's contributions after seven (7) years of service and are eligible to receive distributions from the plan upon normal retirement, death, or permanent disability. Although it has no intention to do so, the Indigent Defender's Office has the ability to terminate the plan at any time, at which time all participants will become fully vested in the respective accounts.

For the year ended December 31, 2002, the Office of the Indigent Defender had deferred compensation expense of \$69,068, which is included in retirement expense on Page 3.

7. Rent

The Office of the Indigent Defender rented office space under an operating lease that was canceled effective January 31, 2003. The lease was replaced with an operating lease expiring January 31, 2006.

The following is a schedule of future minimum rental payments required under the operating leases as of December 31, 2002:

2003	55,925
2004	56,100
2005	56,100
2006	4,675
2007	-
	<u>172,800</u>

During 2002, total rent expense amounted to \$55,368.

8. Forfeitures, Fees and Miscellaneous Receipts

The following is a summary of forfeitures, fees and miscellaneous receipts:

Bond forfeitures	149,410
Support enforcement	58,370
Probation fees	71,702
Reimbursements and miscellaneous	<u>54,349</u>
	<u>333,831</u>

During 2002, monies were received from the Louisiana Indigent Defender Board (the Board) totaling \$490,149. The Board receives appropriations from the Louisiana Legislature and then allocates the funds to the various parishes.

9. Budget Variance

During 2002, the Board experienced several significant variances from budgeted amounts as shown on Page 4. Group insurance expense is over budget due to an increase in premiums. The Board experienced several positive variances due to careful monitoring and conscious reduction of several expenses. Expenses under budget by greater than 10% include supplies, travel, professional services, capital expenditures, and miscellaneous expenses.

OTHER REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

**HEARD
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June 6, 2003

The Board of Directors
Office of the Indigent Defender
First Judicial District, Caddo Parish
Shreveport, Louisiana

Auditor's Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

We have audited the general purpose financial statements of the Office of the Indigent Defender as of and for the year ended December 31, 2002, and have issued our report thereon dated June 6, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the general purpose financial statements of the Office of the Indigent Defender are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs item 2002-01.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered internal control over financial reporting of the Office of the Indigent Defender in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Office of the Legislative Auditor, State of Louisiana, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy & Vestal, LLP

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OFFICE OF THE INDIGENT DEFENDER
FIRST JUDICIAL DISTRICT, CADDO PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2002

We have audited the general purpose financial statements of the Office of the Indigent Defender as of and for the year ended December 31, 2002, and have issued our report thereon dated June 6, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the general purpose financial statements as of December 31, 2002 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control - No material weaknesses or reportable conditions were noted; no management letter was issued.

Compliance - One instance of noncompliance was noted.

b. Federal Awards - Not applicable.

c. Identification of Major Programs - Not applicable.

Section II - Financial Statement Findings

2002-01 Compliance Finding

Statement of Condition: As of January 2003, the Office of the Indigent Defender Board of Directors has consisted of three members selected by the district court who were not nominees provided by the Shreveport Bar Association.

Criteria: Louisiana state law (R.S. 15:144(B)) requires that Board members be selected by the district court from nominees provided by the bar association within the judicial district.

Effect of Condition: The Office of the Indigent Defender is not in compliance with this statute.

Recommendation: We recommend that the Office of the Indigent Defender take necessary steps to comply with state law.

Response: Management has indicated they are not in a position to respond to this issue due to potential litigation in regard to this matter.

OFFICE OF THE INDIGENT DEFENDER
FIRST JUDICIAL DISTRICT, CADDO PARISH
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2002

Section I - Financial Statement Findings

Not applicable - no prior year findings.

Section II - Federal Award Findings

Not applicable - no prior year findings.

Section III - Management Letter

Not applicable - no prior year findings.